



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Denny L. Nester, City Auditor  
MBA CPA CIA CFE CGFM CGAP

## 18-28 - Colorado Springs Utilities Monitoring Review Billing System Modifications for City Residential Stormwater Fee

November 2018

### **Purpose**

The purpose of this audit was to monitor Colorado Springs Utilities' (Utilities) Residential Stormwater Fee Billing System Development. Significant system modifications were required to allow Utilities to bill residential stormwater fees on behalf of the City of Colorado Springs effective July 1, 2018. The Office of the City Auditor, per the project charter, was to work with the project manager and sponsors to provide independent and objective review and ensure an acceptable solution was developed. Additional objectives included review of project implementation costs and proposed administrative fees to ensure that project costs were appropriately charged to the City of Colorado Springs.

### **Highlights**

Based on our monitoring review, we conclude that the project was in compliance with the terms of the executive agreement. Objectives were met and project governance operated as designed. An acceptable solution for system modifications was implemented to allow most residential Stormwater fees as specified in the executive agreement to be included on utility bills effective July 1, 2018. We conclude that implementation costs were accurately tracked for billing to the City of Colorado Springs, and a reasonable methodology was followed to calculate monthly administrative fees for reimbursement by the City. Additionally, the project implementation cost was \$821,596, which was significantly less than the original estimate of \$1.5 million. The project was well organized and project management methodology was established and followed.

Background - The voters of Colorado Springs approved issue 2A in November 2017. This ballot measure resulted in changes to City Code that divided fees into residential and non-residential assessments. Utilities' and the City, on behalf of its Stormwater Enterprise, entered into an executive agreement. Under this executive agreement, Utilities agreed to bill applicable Utilities' customers a flat residential Stormwater service fee.

#### **Key terms of the executive agreement included:**

- Residential accounts to be billed by Utilities were defined as residential parcel owners, except when the parcel does not have Utilities water service, or service is to multiple dwelling units through a master meter.
- The City's responsibility to reimburse Utilities for costs incurred related to stormwater fee billing, to include implementation costs and monthly administrative costs.
- Requirement to utilize Utilities' current billing and collections practices.
- Utilities and the City agreed to develop and maintain accounting processes to calculate the amount of stormwater fees collected.
- Remittance of collections to the City net of monthly administrative fees and any bad debt costs.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.

City Council's Office of the City Auditor  
City Hall, 107 North Nevada Ave. Suite 205, Mail Code 1542, Colorado Springs CO 80901-1575  
Tel 719-385-5991 Fax 719-385-5699 Reporting Hotline 719-385-2387  
[www.ColoradoSprings.gov/OCA](http://www.ColoradoSprings.gov/OCA)

# 18-28 COLORADO SPRINGS UTILITIES MONITORING REVIEW BILLING SYSTEM MODIFICATIONS FOR CITY RESIDENTIAL STORMWATER FEE

**Results** - The Office of the Auditor monitored the project by attendance at team and sponsor meetings and review of project documentation. We reviewed project deliverables to ensure proper approvals were obtained as specified in the project charter on Responsibility Assignment Matrix (RACI) documents. We tracked potential issues identified by the project team to ensure that proper resolution and referral to project sponsors was accomplished.

As specified in the project charter and project RACI matrix, our objectives included review of the following project financial elements:

1. *Accounting Processes* - We reviewed the accounting processes developed by Utilities and the City, as documented in the Finance and Accounting Plan, for compliance with the terms of the executive agreement and good business practices. We note that because only fees actually collected will be remitted to the City, bad debt expense was not a significant impact to Utilities.
2. *Implementation Costs* - We tested Utilities implementation costs to ensure that costs were properly accumulated to work for billing. We noted compliance with the executive agreement in that the full cost of the project was charged. Administrative overhead and indirect labor costs, such as employee benefits, were appropriately charged utilizing standard processes.
3. *Administrative Fee* - We gained an understanding of the methodology utilized to estimate the ongoing costs to administer the residential billing activity on behalf of the City. We found the methodology to be reasonable and well documented. We noted that administrative costs were expected to be lower after 2018. This assumption makes sense as fewer customer inquiries would be expected in 2019. The parties have agreed that after one year of implementation the administrative fee will be revisited and adjustments made as needed. A process is in place to estimate costs and bill the City for any work outside the scope of ongoing system administration.

## Commendable Practices

- 1) *Project Management* - Colorado Springs Utilities' project management approach included the following elements:

- Project charter which defined roles and responsibilities for governance and decision-making, including both Utilities and City project sponsors and stakeholders.
- Key milestones and deliverables for requirements and solutions.
- Prescribed approvals for key deliverables.
- Clear work breakdown structure.
- Tracking of issued and change orders as needed.
- Ongoing communication with project sponsors and stakeholders.

Utilities utilized project management methodology in an effective way to ensure the project objectives were met. We consider the commitment to application and use of project management principles on this project to be commendable.

- 2) *High degree of cooperation between Utilities and the City* - An objective included in the project charter for the Office of the City auditor was to work with the project manager and sponsors to ensure project transparency. Based on our participation in project and team meetings, we noted a high level of cooperation and commitment by Utilities personnel, as well as, City personnel to work together toward a successful implementation. We consider the level of teamwork, transparency, and shared commitment observed on this project to be commendable.